



Fact Sheet

U.S. Department of Agriculture
Foreign Agricultural Service
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Permanent Normal Trade Relations with China **What's at Stake for Texas?**

Texas is a leading producer of agricultural and forest products and a major exporter. Fisheries are also important. In 1998, the state's total cash receipts from farming reached \$13.2 billion. Wood product shipments totaled \$3.2 billion in 1996, and commercial fish landings were \$183 million in 1998. As for exports, Texas ranked fourth among all 50 states, with the value of agricultural products leaving the state estimated at \$3 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

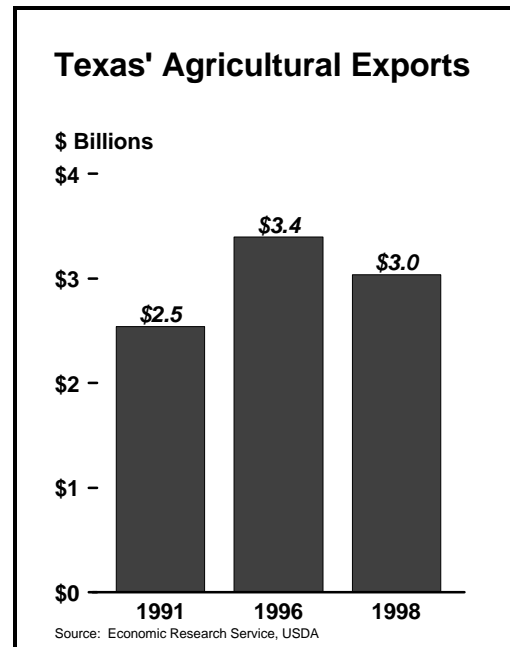
Trade Benefits

The following key products are important to Texas, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

Cotton—As the nation's largest cotton producer, Texas' cotton exports worldwide were estimated at \$708 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.

Beef—With the nation's largest cattle industry, Texas' live animal and red meat exports worldwide were estimated at \$693 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef and from 45 percent to 25 percent on chilled beef by 2004. Tariffs on variety meats will be lowered from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef from the United States that is accompanied by a USDA certificate of wholesomeness.

Feed Grains—Texas' feed grain and product exports worldwide were estimated at \$329 million



in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

Solid Wood Products—Texas has the seventh largest lumber industry in the nation. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.